

**UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*,

Debtors.<sup>1</sup>

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**Re: ECF No. 21334**

Hon. Laura Taylor Swain

**THE UNITED STATES TRUSTEE’S COMMENT  
AND RELATED STATUS REPORT ON THE  
VERIFIED STATEMENTS OF CONNECTIONS  
FILED BY PROFESSIONALS UNDER THE PUERTO RICO  
RECOVERY ACCURACY IN DISCLOSURES ACT**

Mary Ida Townson, the United States Trustee for Region 21 (“the United States Trustee”), files this Comment and related Status Report on the verified statements of connections

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<sup>1</sup> The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Building Authority (“PBA”) (Bankruptcy Case No. 19-BK-5523-LTS). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

filed by professionals under the Puerto Rico Recovery Accuracy in Disclosures Act of 2021. Pub. L. No. 117-82 (“PRRADA”).

### **BACKGROUND**

PRRADA was signed into law on January 20, 2022, and generally imposes the Rule 2014 disclosure requirements of the Federal Rules of Bankruptcy Procedure that apply to professionals retained under sections 327 and 1103 of the Bankruptcy Code—namely that a professional publicly disclose all of its connections to the debtor, creditors, and other parties involved in a bankruptcy case so that the Court, the United States Trustee, and parties in interest can determine whether the professional is disinterested and free from conflicts—on professionals that are employed and seek compensation from the estate in cases under Title III of PROMESA. PRRADA disclosures, however, differ slightly from Rule 2014 disclosures because, under PRRADA, the universe of potential connections to be disclosed is limited to those parties and professionals on a court-approved list of material interested parties (the “MIP List”), which itself is limited by a dollar materiality threshold for creditors to be included on the MIP List. The PRRADA disclosures must be filed before a professional files a further (or first) fee application after the January 20, 2022, effective date.

As directed by PRRADA, the Financial and Oversight Management Board (“FOMB”) prepared the proposed MIP List [ECF No. 20194], and the United States Trustee filed a limited objection to it because of non-statutory limits the FOMB proposed beyond the statutorily authorized materiality threshold. [ECF No. 20274]. The Court sustained the United States Trustee’s objection, in part, and ordered that the FOMB submit an amended MIP List that included creditors with inactive claims and any plaintiffs in aggregate litigation with individual claims that exceeded the materiality threshold. [ECF No. 20419]. After the FOMB filed an

amended MIP list as directed, the Court approved the final MIP List on March 30, 2022. [ECF No. 20467]. Schedules 4 A-E of the MIP List also identified 58 retained professionals in the Title III cases who were required to file PRRADA disclosures as of that date if they filed a fee application after January 20, 2022, but professionals who have been retained since also have the statutory obligation to file PRRADA disclosures notwithstanding the absence of an updated MIP List. Two professionals have been retained since the MIP List was approved, making 60 professionals subject to PRRADA as of August 15, 2022.<sup>2</sup>

On April 12, 2022, the Court entered its Third Amended Order Setting Procedures for Interim and Final Compensation and Reimbursement of Expenses of Professionals (“Third Amended Order”) [ECF No. 20546]. The Third Amended Order, among other things, set a May 16, 2022, deadline for professionals to file PRRADA disclosures (Third Amended Order, ¶ 4.d.). That Order also required the United States Trustee to review and comment informally on or object to any professional’s PRRADA disclosures by June 30, 2022, or such deadline as the Court may order. (Third Amended Order, ¶ 4 e.i.).

On June 22, 2022, the United States Trustee filed her Motion to Amend (“Motion to Amend”) the Third Amended Order [ECF No. 21316], seeking an extension of its various deadlines. On June 24, 2022, the Court entered its order (“June 24<sup>th</sup> Order”) granting the Motion to Amend. [ECF No. 21334]. The June 24<sup>th</sup> Order provides, among other things, that:

2. Those parties on the MIP List as hired professionals, but who have not yet filed PRRADA disclosures, shall have until July 15, 2022, to file the PRRADA disclosures.

3. Notwithstanding the terms and provisions of the Third Amended Order, the United States Trustee shall have until August

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<sup>2</sup> Those two professionals—Moelis & Co. and London Economics International LLC—included their PRRADA disclosures as part of the applications for their retention, and thus are counted among the 48 professionals who have timely filed their PRRADA disclosures.

15, 2022, to review, comment informally on, or object to any Professional's PRRADA disclosures (a "PRRADA Objection").

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5. To the extent not otherwise provided herein, the U.S. Trustee may agree to one consensual extension of up to sixty (60) days, where reasonably necessary, to such professionals as may be determined are required to file a PRRADA disclosure.

The United States Trustee files this Comment and Status Report to inform the Court and parties in interest of the status of her review of the PRRADA disclosures.

### **PRRADA DISCLOSURES AND THEIR REVIEW**

48 professionals timely filed their PRRADA disclosures by the July 15 deadline; 12 professionals did not and have not since, but they have not filed fee applications after PRRADA's effective date.<sup>3</sup> See Exhibit 1.<sup>4</sup> As part of the disclosure review process, the United States Trustee informally conferred with and sought supplemental disclosures from many of the professionals who filed their disclosures. The United States Trustee also asked that the lengthier PRRADA disclosures be filed in an electronically searchable format. The United States Trustee is pleased to report that the professionals generally have participated in the disclosure process on a cooperative basis.

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<sup>3</sup> Professionals who are retained after the entry of the Third Amended Order have until either July 30, 2022, or within forty-five (45) days of their hiring, whichever is later, to file PRRADA disclosures. The United States Trustee shall have until either September 15, 2022, or within forty-five (45) days of such professional filing their PRRADA disclosures, whichever is later, to review and comment informally on or object to the PRRADA disclosures, or to file a PRRADA Objection. June 24<sup>th</sup> Order [ECF No. 21334, ¶ 4.]

<sup>4</sup> Exhibit 1 identifies those retained professionals required to file PRRADA disclosures, whether the professional has filed its PRRADA disclosure and, if so, the docket number for that filing, whether the professional filed a supplemental PRRADA disclosure and, if so, the docket number for that filing, and whether the United States Trustee completed her review of the PRRADA disclosure for that professional.

The United States Trustee has completed her initial review of the 48 timely filed PRRADA disclosures. Of those 48 professionals, the United States Trustee conferred with and requested supplemental information from 36 professionals. Thus far, 27 professionals have filed supplemental disclosures. After the United States Trustee reviewed the 27 supplemental disclosures filed thus far, she determined not to seek further information or supplemental disclosures, and Exhibit 1 reflects that those reviews are complete as they are for the 12 professionals from whom no supplemental declaration was requested.

The United States Trustee is awaiting submission of supplemental disclosures from nine professionals and will promptly review them upon receipt. The various agreed deadlines for the filing of the supplemental declarations by the nine professionals comply with the consensual extensions authorized by the June 24<sup>th</sup> Order, ¶ 5. In addition, the United States Trustee will file an updated Comment and Status Report with the Court as to these professionals as necessary.

Of the nine professionals that the United States Trustee asked for supplemental disclosures but who have not yet provided them, the following four have pending fee applications:

Citigroup Global Markets, Inc.
Ernst & Young LLP
King & Spalding LLP
McKinsey & Company Inc. <sup>5</sup>

The United States Trustee respectfully requests that these fee applications be deferred until at least 30 days after the supplemental declarations are filed so that the United States Trustee has the opportunity to review and comment.

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<sup>5</sup> McKinsey & Co., Inc. filed the PRRADA disclosure, but Schedule 4 of the MIP List identifies McKinsey & Co. Puerto Rico Consulting, Inc. as the retained professional.

The United States Trustee reserves her right to object to any applications for fees or reimbursement of expenses filed under 316 or 317 of PROMESA filed after the date of PRRADA's enactment, including but not limited to fee applications for professionals with PRRADA disclosures still under review.

Of the 12 professionals that did not file PRRADA disclosures by the deadline established in the June 24<sup>th</sup> Order (or since), none has filed a fee application since the January 20, 2022, effective date. These professionals are technically in compliance with PRRADA, although they may be in violation of the Court's order if they have further fee applications to file for this Court's approval.

August 15, 2022

Respectfully submitted,

MARY IDA TOWNSON  
UNITED STATES TRUSTEE, Region 21

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(Electronically Filed)

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